

Message Text

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PAGE 01 MANILA 13209 071014Z

17

ACTION TRSE-00

INFO OCT-01 EA-06 ISO-00 AID-05 CIAE-00 COME-00 EB-04

FRB-01 INR-05 NSAE-00 RSC-01 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-01 SIL-01 OMB-01 NSC-05 SS-15 STR-01

CEA-01 NEA-06 IO-04 H-01 L-01 PA-01 PRS-01 USIA-06

/076 W

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P R 070922Z NOV 74

FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 8206

AMEMBASSY JAKARTA PRIORITY

INFO AMCONSUL HONG KONG

C O N F I D E N T I A L MANILA 13209

USADB

FOR NAC AGENCIES

E.O. 11652: ADS DELCASS 12/31/75

TAGS: EAID, EFIN, ID

SUBJECT: BANDUNG WATER SUPPLY PROJECT

REF: A) TRSY 301555Z; (B) STATE 244709; (C) JAKARTA
13376; (D) MANILA 12763

1. AT NOV 7 MEETING, BOARD APPROVED SUBJECT PROJECT
WITH U.S. CASTING ONLY NEGATIVE VOTE. PRESS RELEASE
BEING POUCHED.

2. AS PER REFS A AND B, U.S. DIRECTOR REQUESTED THAT
U.S. BE RECORDED AS OPPOSING PROJECT LOAN BECAUSE LOAN
FINANCED FROM BANK CONCESSIONARY LENDING RESOURCES RATHER
FROM ORDINARY CAPITAL RESOURCES. IN ELABORATING ON U.S.
POSITION, U.S. DIRECTOR EXPLAINED THAT U.S. FELT INDO-
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PAGE 02 MANILA 13209 071014Z

NESIA'S BALANCE OF PAYMENTS SITUATION HAD IMPROVED

SUFFICIENTLY OVER PAST SEVERAL MONTHS SO THAT IT COULD NOW AFFORD BANK FUNDING AT ORDINARY CAPITAL RATES. IN ADDITION, U.S. DIRECTOR POINTED TO WORLD BANK TERMINATION OF IDA LENDING TO INDONESIA AS OF JUNE 30, 1974. FINALLY, U.S. DIRECTOR EXPLAINED THAT EXECUTIVE BRANCH IN PROCESS OF SENSITIVE CONSULTATIONS WITH CONGRESS REGARDING SECOND \$50 MILLION U.S. CONTRIBUTION TO ASIAN DEVELOPMENT FUND AS WELL AS U.S. SUBSCRIPTION TO ORDINARY CAPITAL INCREASE AND NOTED STRONG CONGRESSIONAL OPPOSITION TO CONTINUATION CONCESSIONARY LENDING FROM EITHER BILATEAL OR MULTILATERAL SOURCES TO COUNTRIES WHOSE BALANCE OF PAYMENTS POSITION HAD IMPROVED DRAMATICALLY AS RESULT OF OIL PRICE INCREASE.

3. IN RESPONSE TO U.S. STATEMENT, PRESIDENT INOUE POINTED OUT THAT ADB PHASING OUT CONCESSIONARY LENDING TO INDONESIA BY END OF YEAR AND THAT BANDUNG WATER SUPPLY (\$11.5 MILLION) AND EAST JAVA AGRICULTURAL CREDIT (\$2.7 MILLION) LAST SUCH INDONESIAN PROJECTS FINANCED ON CONCESSIONARY TERMS. FURTHER, PRESIDENT INOUE RELATED FACT THAT WORLD BANK LENDING TO INDONESIA IN FISCAL YEAR 1974 AMOUNTED TO \$132 MILLION, OF WHICH \$84 MILLION (OVER 60 PERCENT OF TOTAL FY 74 TO INDONESIA) REPRESENTED IDA CREDITS. IN ADDITION, PRESIDENT INOUE NOTED THAT FOR CALENDAR YEAR 1974, WORLD BANK LENDING TO INDONESIA EXPECTED TO REACH \$145 MILLION OF WHICH \$57.5 MILLION (OR 40 PERCENT) FINANCED FROM IDA IN FIRST HALF YEAR. HE CONTRASTED LATTER FIGURE WITH PROJECTED ADB LENDING OF \$78.1 MILLION TO INDONESIA IN 1974 OF WHICH \$14.2 MILLION (OR 18 PERCENT OF TOTAL) FROM CONCESSIONARY WINDOW.

4. NUMEROUS OTHER DIRECTORS -- NOTABLY DUTCH, AUSTRALIAN, ITALIAN AND WEST GERMANY -- SUPPORTED PROJECT INCLUDING TERMS ON WHICH IT FINANCED WHILE EXPRESSING AGREEMENT WITH INOUE'S STATEMENT THAT ADB SHOULD TERMINATE CONCESSIONARY LENDING TO INDONESIA AT END 1974.

5. INDONESIAN DIRECTOR, AFTER BOARD APPROVAL OF PROJECT, EXPRESSED APPRECIATION TO MANAGEMENT AND BOARD WHILE INDICATING HIS UNDERSTANDING OF REASONS FOR U.S. VOTE ON CONFIDENTIAL

CONFIDENTIAL

PAGE 03 MANILA 13209 071014Z

PROJECT. FURTHER, INDONESIAN DIRECTOR RECONFIRMED INOUE'S STATEMENT THAT, UNLESS CIRCUMSTANCES DRASTICALLY ALTER, INDONESIA WOULD NOT AFTER 1974 REQUEST PROJECT FINANCING ON OTHER THAN ORDINARY CAPITAL TERMS. FYI: U.S. DIRECTOR REITERATED REASONS FOR U.S. POSITION TO INDONESIAN DIRECTOR PRIOR TO BOARD MEETING, PARTICULARLY EMPHASIZING CONGRESSIONAL SENSITIVITIES AND DELICATE NATURE OF FUNDING REQUESTS CURRENTLY BEFORE CONGRESS. U.S. POSITION

INITIALLY EXPLAINED TO INDONESIAN DIRECTOR UPON RECEIPT
OF REF A OCT 31 WHO, APPARENTLY, DID NOT TRANSMIT INFO
TO JAKARTA AT THAT TIME. AS GRATUITIOUSLY STATED AT
BOARD, INDONESIAN DIRECTOR ON BOTH OCCASIONS EXPRESSED
UNDERSTANDING OF REASONS FOR U.S. POSITON.
SULLIVAN

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Message Attributes

Automatic Decaptioning: X
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Channel Indicators: n/a
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Concepts: WATER SUPPLY SYSTEM, POLICIES, BANK LOANS
Control Number: n/a
Copy: SINGLE
Draft Date: 07 NOV 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: KelleyW0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Drafter: n/a
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Review Markings:

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30 JUN 2005

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Review Withdrawn Fields: n/a
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